

Virginia City Hybrid Energy Center
Response to Data Request
Hullihen Moore, Virginia Air Pollution Control Board

Question (Page No. 4):

Dominion “Cost analysis” in Exhibit 7 of Attachment 3 to Dominion’s March 6, 2008 filing with DEQ. This “analysis” states that the cost of alternative coals were based on the current price on the “commodity exchange;” please provide the details of dates, terms, exchanges, etc used to determine the price. Exhibit 7 did not explain how the price of coal to be used in the Wise County facility was determined. Please explain. Was it a spot price on a commodity exchange, an actual, or estimated, long or short term contract? Also, I note that the “analysis” uses as the base for comparison, the run of mine coal with 2.28% Sulfur and 7,782 Btu/lb whereas the Engineering Analysis indicates that the SO₂ limits in the proposed permit were based on a blend of 60% of this coal and 40% waste coal with 1% Sulfur and 2,782 Btu/lb. Please explain.

Response:

The commodity prices shown in Exhibit 7 were based on February 2008 market data from various industry sources such as NYMEX and ICAP/United, and assessments of the active market in which Dominion participates on a regular basis.

Freight costs, both for vessel and rail, were based on historical market knowledge and Dominion’s estimates of February 2008 world market conditions, since many of the transportation rates do not currently exist. This market knowledge is based on knowledge of the world market, particularly for ocean freight, our vessel and freight rates to other Dominion stations and our assessment of how the necessary VCHEC rates, to be established in the current market, would compare given the changing world market.

The ROM delivered coal price (\$43.77 per ton) was developed based on market information developed by Miltech, a consultant employed by Dominion to identify various reserves and market pricing for several coal basins. Market price for a non-standard product, such as the ROM product contemplated for use at VCHEC, can be estimated based on a cents per million BTU discount for each thousand BTU that the non-standard product is below the standard washed product produced using the ROM coal. To develop the ROM coal price, the market price for a washed coal is discounted to reflect avoided costs in delivering the ROM coal to a wash plant, the actual washing of ROM coal, and disposal of waste material from the wash plant.

The decision to use a 7782 BTU/lb, 2.28% sulfur fuel as the target VCHEC product was based on the decision to employ CFB technology and Miltech’s review of DMME reports and other sources. The engineering analysis of a combination of 60% of the target VCHEC product and 40% waste coal was performed to model “worst case” emissions

from the VCHEC facility and does not necessarily represent the fuel product that will be used in day-to-day operations.